



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-3873
PHONE: (213) 974-8301 FAX: (213) 626-5427

WENDY L. WATANABE
AUDITOR-CONTROLLER

June 20, 2013

TO: Supervisor Mark Ridley-Thomas, Chairman
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller

A handwritten signature in blue ink, reading "Wendy L. Watanabe", written over the printed name and title.

SUBJECT: **MANAGED CAREER SOLUTIONS, INC. – WEST SAN GABRIEL VALLEY – A COMMUNITY AND SENIOR SERVICES' WORKFORCE INVESTMENT ACT PROGRAM CONTRACT SERVICE PROVIDER – CONTRACT COMPLIANCE REVIEW – FISCAL YEAR 2011-12**

We completed a review of Managed Career Solutions, Inc. – West San Gabriel Valley (MCS – West or Agency), a Community and Senior Services' (CSS) Workforce Investment Act (WIA) Program provider. Our review covered a sample of transactions from Fiscal Year (FY) 2011-12. The purpose of our review was to determine whether MCS – West provided services in compliance with their County contract and WIA requirements.

The WIA Adult, WIA Dislocated Worker (DW), and the National Emergency Grant (NEG) Programs assist individuals in obtaining employment, retaining their jobs, and increasing their earnings.

CSS paid MCS – West approximately \$1,024,872 (\$427,062 for Adult, \$396,324 for DW, and \$201,486 for NEG) on a cost-reimbursement basis for FY 2011-12. MCS – West serves participants residing in the First Supervisorial District.

Results of Review

MCS – West provided services to eligible participants, and maintained sufficient internal controls over its business operations. However, the Agency billed CSS \$12,130

(\$8,749 + \$1,998 + \$1,383) in questioned costs, and did not always comply with WIA and County contract requirements. Specifically, MCS – West:

- Billed CSS \$8,749 (\$511 + \$8,238) for unsupported expenditures. Specifically, the Agency's accounting records did not support the expenditures charged to the WIA Program. We noted a similar finding in our prior year monitoring review of the Agency.

MCS – West's attached response indicates that they reduced their subsequent invoice to CSS by \$511 and re-allocated the remaining \$8,238, which resulted in an overbilling to CSS totaling \$4,460. The Agency's response also indicates that they incurred additional costs that they did not bill to CSS and that CSS approved the re-allocation and the use of the additional costs to cover the overbilling. However, as of the date of our review, CSS indicated that they have not approved the Agency's use of additional costs to cover the overbilling. MCS – West needs to repay the \$8,238, or provide CSS documentation to support the expenditures.

- Billed CSS \$1,998 (\$435 + \$1,563) for unsupported profit. We noted a similar finding in our prior year monitoring review of the Agency.

MCS – West's response indicates that they recalculated the profit and repaid CSS \$281.

- Billed CSS \$1,383 (\$497 + \$735 + \$151) in unallowable expenditures. For example, MCS – West inappropriately billed for meals provided to guest employers at a job fair. We noted a similar finding in our prior year monitoring review of the Agency.

MCS – West's response indicates that they reduced their subsequent invoice to CSS by \$497. In addition, after our review, the Agency repaid CSS the remaining \$886 (\$735 + \$151).

- Did not accurately report participants exit codes on the Job Training Automation (JTA) System, as required by WIA Directive LACOD-WIAD08-20 for five (33%) of the 15 participants reviewed. We noted a similar finding in our two prior year monitoring reviews of the Agency.

MCS – West's response indicates that they corrected the exit codes and will now ensure that the exit codes are correctly reflected in the JTA System.

- Did not develop and implement WIA policies and procedures regarding the prohibition against national origin discrimination as it affects persons with Limited English Proficiency, as required by WIA Directive LACOD-WIAD11-06.

MCS – West's response indicates they are updating their flyers and handouts in several languages to comply with WIA Directive LACOD-WIAD11-06. MCS – West also needs to ensure they develop and implement the required policies and procedures.

Details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with MCS – West and CSS. In their attached response, MCS – West generally agreed with our findings and recommendations, except for the unsupported expenditures, totaling \$8,238 discussed above. CSS management indicated they will resolve any disputed findings in accordance with their Resolution Procedure Directive.

We thank MCS – West management for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Don Chadwick at (213) 253-0301.

WLW:AB:DC:AA

Attachment

c: William T Fujioka, Chief Executive Officer
Cynthia D. Banks, Director, Community and Senior Services
Philip Starr, Psy.D., Executive Director, Managed Career Solutions, Inc.
Joseph R. Saldana, Chairperson, Managed Career Solutions, Inc.
Public Information Office
Audit Committee

**MANAGED CAREER SOLUTIONS, INC. – WEST SAN GABRIEL VALLEY
WORKFORCE INVESTMENT ACT PROGRAMS
CONTRACT COMPLIANCE REVIEW
FISCAL YEAR 2011-12**

ELIGIBILITY

Objective

Determine whether Managed Career Solutions, Inc. – West San Gabriel Valley (MCS – West or Agency) provided services to eligible individuals for the Workforce Investment Act (WIA) and National Emergency Grant (NEG) Programs.

Verification

We reviewed the case files for 15 (6%) of the 242 participants (5 WIA Adult, 5 WIA Dislocated Worker, and 5 NEG) who received services from July 2011 to May 2012 for documentation to confirm their eligibility for WIA and/or NEG services.

Results

MCS – West had documentation to support all 15 participants' eligibility for WIA and/or NEG Program services.

Recommendation

None.

BILLED SERVICES

Objective

Determine whether the Agency provided services in accordance with the County contract and WIA guidelines.

Verification

We reviewed the case files for 15 (6%) of the 242 participants who received services from July 2011 to May 2012.

Results

MCS – West provided services in accordance with the County contract and WIA guidelines. However, MCS – West did not accurately report five (33%) participant's exit codes on the Job Training Automation (JTA) System, as required by WIA Directive LACOD-WIAD08-20. The State of California Employment Development Department

and the United States Department of Labor use the JTA System to track WIA participant activities. We noted a similar finding in our last two monitoring reviews of the Agency.

Recommendation

1. **MCS – West management ensure staff update the Job Training Automation System to accurately reflect participant activities.**

CASH/REVENUE**Objective**

Determine whether MCS – West deposited cash receipts timely, and recorded revenue in the Agency's financial records properly.

Verification

We interviewed Agency personnel and reviewed the Agency's financial records. We also reviewed the Agency's bank activity for February and March 2012.

Results

MCS – West deposited cash receipts timely, and recorded revenue properly.

Recommendation

None.

EXPENDITURES**Objective**

Determine whether expenditures charged to the WIA and NEG Programs were allowable under the County contract, properly documented, and accurately billed.

Verification

We interviewed Agency personnel, and reviewed the Agency's financial records and documentation for 41 non-payroll expenditure transactions, billed by the Agency from July 2011 to March 2012, totaling \$47,182.

Results

MCS – West billed CSS \$2,329 in unsupported or unallowable costs. Specifically, MCS – West billed CSS:

- \$511 for unsupported expenditures. Specifically, MCS – West’s financial records did not support the expenditures charged to the Programs.
- \$435 for unsupported profit. Specifically, MCS – West did not use the contractual profit rate.
- \$497 in unallowable insurance expenditures. CSS allows the Agency to exceed up to 20% on line-item budgeted amounts. However, MCS – West billed CSS for insurance beyond the allowable threshold.
- \$735 in unallowable meals for employers at job fairs, hosted by MCS – West. The County contract does not allow the Agency to purchase meals at a job fair.
- \$151 in unallowable expenditures. The Agency billed for advertisement that did not benefit the MCS – West WIA and NEG Programs.

We noted similar findings in our prior year monitoring review of the Agency.

After our review, the Agency repaid CSS \$886 (\$735 + \$151) for the unallowable meals and advertising costs.

Recommendations

MCS – West management:

2. Repay CSS \$511, or provide adequate documentation to support the expenditures.
3. Repay CSS \$932 (\$435 + \$497).
4. Maintain adequate documentation to support Program expenditures, request reimbursement for necessary and reasonable Program expenditures, and ensure that expenditures do not exceed budgeted amounts.

ADMINISTRATIVE CONTROLS/CONTRACT COMPLIANCE

Objective

Determine whether the Agency had adequate internal controls over its business operations. In addition, determine whether the Agency was in compliance with WIA and administrative requirements.

Verification

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit, and tested expenditures, payroll, and personnel transactions.

Results

MCS – West generally maintained sufficient internal controls over its business operations and complied with other Program and administrative requirements. However, the Agency did not:

- Report accruals as required by WIA Directive WIAD10-05. Specifically, MCS – West requested a cash reimbursement for a \$1,600 expenditure that MCS – West incurred, but had not yet paid.
- Develop and implement policies and procedures as required by WIA Directive LACOD-WIAD11-06, regarding the prohibition against national origin discrimination as it affects persons with Limited English Proficiency.

Recommendations**MCS – West management:**

5. **Ensure that accruals are accurately reported to CSS.**
6. **Develop and implement all required WIA policies and procedures.**

PAYROLL AND PERSONNEL**Objective**

Determine whether payroll expenditures were charged to the WIA and NEG Programs appropriately. In addition, determine whether MCS – West obtained background clearances, verified employability, maintained proof of current driver's licenses, and maintained proof of automobile insurance for employees assigned to the WIA and NEG Programs.

Verification

We traced the WIA payroll expenditures for six employees, totaling \$15,247, for March 2012, to the Agency's payroll records and time reports. We also reviewed the personnel files for five Agency staff.

Results

MCS – West appropriately charged the March 2012 employee salary costs to the WIA and NEG Programs, and maintained the personnel files as required.

Recommendation

None.

COST ALLOCATION PLAN

Objective

Determine whether MCS – West's Cost Allocation Plan (Plan) was prepared in compliance with the County contract, and used to allocate shared program expenditures appropriately.

Verification

We reviewed MCS – West's Plan, and a sample of expenditures from November 2011 to March 2012, to ensure that the expenditures were allocated to the Agency's WIA Programs appropriately.

Results

MCS – West prepared its Plan in compliance with the County contract and the Agency allocated their shared costs to the WIA and NEG Programs appropriately.

Recommendation

None.

CLOSE-OUT REVIEW

Objective

Determine whether the Agency's Fiscal Year (FY) 2010-11 final close-out invoices for the WIA Program reconciled to the Agency's accounting records. MCS – West did not have the NEG Program during FY 2010-11.

Verification

We traced MCS – West's final close-out invoices for FY 2010-11 to the Agency's accounting records. We also reviewed a sample of expenditures billed in May and June 2011, totaling \$18,072.

Results

MCS – West billed CSS \$9,801 in questioned costs. Specifically, MCS – West billed CSS:

- \$8,238 for unsupported expenditures. The Agency's FY 2010-11 accounting records did not reconcile to the Agency's final close-out invoices.
- \$1,563 for unsupported profit. Specifically, MCS – West did not use the contractual profit rate for billings.

We noted similar findings in our prior year monitoring review of the Agency.

Recommendation

Refer to Recommendation 4.

- 7. MCS – West management repay CSS \$9,801 (\$8,238 + \$1,563), or provide adequate documentation to support the expenditures.**



Philip Starr, Psy.D., C.R.C., A.B.V.E.
Esteban Magallanes, Psy.D., C.R.C., C.D.M.S.

March 13, 2013

Wendy L. Watanabe
Auditor-Controller
County of Los Angeles
Department of Auditor-Controller

**RE: Managed Career Solutions- West San Gabriel Valley-A Community And Senior Services
Workforce Investment Act Program Contract Service Provider-Contract Compliance
Review-Fiscal Year 2011-12**

This is submit our response to the recommendation for the findings noted on the contract compliance review of the WIA contracts of West San Gabriel Valley WorkSource for the fiscal year 2011-12.

Finding Did not accurately report 5 participant's exit codes on the JTA system.

Recommendation

- 1. MCS to ensure staff to update the JTA System to accurately reflect participant activities.**

Response We subsequently corrected the exit codes on the JTA system and submitted a JTA printout report to CSS. MCS West San Gabriel Valley WorkSource assigned Program Director shall review participant files to assure participant activity codes are correctly reflected on the JTA system.

Finding Billed CSS \$2,329 in unsupported or unallowable costs.

Recommendation

- 4. Repay CSS \$511 or provide adequate documentation to support the expenditures.**
- 5. Repay CSS \$932(\$435 + \$497) or request for a budget modification**
- 6. Maintain adequate documentation to support program expenditures, request reimbursement for necessary and reasonable Program Expenditures, and ensure that expenditures do not exceed budgeted amounts.**

Response

- As explained during the exit conference, discrepancy noted on the audit cutoff (March 30, 2012) are corrected in the subsequent billing invoice. Comparison of the actual expenditure per General Ledger with the final billing invoices submitted to CSS disclosed no overbilling. MCS will provide to CSS copy the General Ledger and comparison with the amount billed per invoice.
- Profit billed to Adult and Dislocated Worker Program computed using the approved rate (at .03999883108) of the actual expenditure incurred and billed as of June 30, 2012) Profit billed per DER is within the approved budget.
- Line item billed in excess of the 20% of the budgeted amount in the March 2012 billing invoice were corrected in subsequent month billing invoice. As of June 30, 2012, line items expenditure is billed within the required 20% flex. Line items noted during the audit (Maintenance and Repairs, Consumable supplies) will show stand in costs as of June 30, 2012.

Findings

- Did not report accruals as required by WIA Directive WIAD10-05.
- Did not develop WIA policies and procedures regarding the prohibition against national origin discrimination as it affects person with Limited English Proficiency (LED) as required by WIA Directive.

Recommendation

- 5. Ensure that accruals are accurately reported to CSS**
- 6. Develop and implement all required WIA policies and procedures**

Response

- MCS will submit on monthly basis as part of the billing invoice Form A summary of Accrual.
- As discussed during the exit conference MCS is now updating all flyers and handout to the customers in several languages to comply with the WIA Directive LACOD-WIAD11-06.

CLOSE-OUT REVIEW

Findings

- \$8,238 for unsupported expenditures. Rent and Utility expenditure did not reconciled with the final close out invoice.
- \$1,563 for unsupported profit.

Recommendation

- 11. Repay CSS \$9801 or provide adequate documentation to support expenditures**

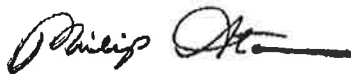
Response

- As recommended in the prior fiscal review, we reallocate facility costs of the West San Gabriel Valley for the Fiscal Year 10-11. Reallocation disclosed over billing of rent for Adult (\$4460) and under billing for Dislocated Worker (\$14,815) and under billing for ARRA Program (\$3870). The reallocation was submitted to CSS and was accepted. Our request to use Stand in costs to replace overbilling was also accepted and approved by CSS.
- We recomputed should be profit based on the approved rate and actual expenditure. :

	Adult	Dislocated Worker
Approved Profit Rate	.03772325378	.03999883108
Actual Expenditure	\$365,544.00	\$410,566.00
Should be profit	\$13,789.51	\$16,422.16
Profit Billed	\$14,071.00	\$16,406.00
Over (Under)	\$281.49	(\$16.16)

We will issued a check in the amount of \$281.49 for the overbilled profit on the Adult program

Should you need additional information, please call my staff Tito Maturan at 213.355.5307.



Philip Starr
Executive Director